

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
September 4, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on September 4, 2002 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Gregory Jones and Members Ira Rogal, Elzie Higginbottom, Tobias Barry, and Violet Clark.

Chairman Jones convened the September 4, 2002 Regular Meeting at 9:39 A.M. in the 3rd floor Board Conference Room. Member Higginbottom moved that **pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, the Board retire to Closed Session to discuss the items listed under Closed Session on today's (September 4, 2002) agenda and relating to the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Barry seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The Board convened its Open Session at 2:00 P.M.

Approval of Minutes

Member Clark moved that **the Board approve the following closed session minutes of the Illinois Gaming Board:**

- **Closed Session Minutes:**
 - **Special Meeting of May 9, 2002**
 - **Regular Meeting of June 18, 2002**
 - **Special Meeting of June 26, 2002**
 - **Special Meeting of July 1, 2002**
 - **Regular Meeting of July 16, 2002**
 - **Special Meeting of August 1, 2002**
 - **Special Meeting of August 8, 2002**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Member Clark moved that **the Board approve the following open session minutes of the Illinois Gaming Board:**

- **Open Session Minutes:**
 - **Special Meeting of May 9, 2002**
 - **Regular Meeting of June 18, 2002**
 - **Special Meeting of June 26, 2002**
 - **Special Meeting of July 1, 2002**
 - **Regular Meeting of July 16, 2002**
 - **Special Meeting of August 1, 2002**
 - **Special Meeting of August 8, 2002**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Public Commentary

Jack Darin, Director, Sierra Club, was present to discuss his concerns regarding the proposed new site for Casino Rock Island. Mr. Darin asked that the Board reject the proposed move of the Casino Rock Island. Mr. Darin stated that the proposed relocation site is in the middle of a critical wetland and floodplain complex near the Mississippi River. Mr. Darin stated that the site is still a major habitat area for critical wildlife species. Mr. Darin stated that putting a

major development, such as a casino, in the middle of the wetland and floodplain complex would have impact, in terms of water quality and noise and light pollution, on the wildlife species. Mr. Darin stated that the Sierra Club does not have a position on the expansion or relocation of Casino Rock Island, but Sierra Club does think that the site that Casino Rock Island is seeking to move to is inappropriate due to the environmental impacts. Mr. Darin stated that there are other suitable locations in the City of Rock Island, and in Rock Island County, that would have less impact on the environment.

Anita Bedell, Executive Director, Illinois Church Action on Alcohol & Addiction Problems, was present to discuss the public's right to vote on gambling expansion. Ms. Bedell stated that when the first gambling licenses were awarded in the 1990s, a "feeding frenzy" was launched. Ms. Bedell stated that the frenzy reoccurred in 1994 when any community could apply for non-existent licenses. Ms. Bedell stated that promoters and politicians were meeting "behind closed doors" with no public input. Ms. Bedell stated that ILCAAAP worked with activists to help secure the right to vote on gambling expansion. Ms. Bedell stated that citizen-initiated referenda on the right to vote were placed on the ballot so that citizens could have a voice regarding expansion. Ms. Bedell stated that ILCAAAP is concerned that history may repeat itself, with the public again shut out at the local level regarding voting on expansion. Ms. Bedell asked that the Board require public forums at the local level prior to approving a riverboat casino site.

Nancy Peppler, Vice President for Resource Development and Advocacy, ChildServ, was present to discuss the issue of children being neglected while their parents are gambling. Ms. Peppler stated that ChildServ is a 108-year-old not-for-profit organization dedicated to helping children and their families build better lives. Ms. Peppler stated that most of the children who are removed from their homes and placed in foster care are removed due to neglect. Ms. Peppler stated that the majority of the neglect cases involve a caregiver with an addiction to alcohol or drugs. Ms. Peppler stated that the percentage of children who are neglected or abandoned due to gambling addiction is unclear. Ms. Peppler stated that gambling addiction is similar to alcohol and drug addiction in many ways. Ms. Peppler stated that the Indiana Gaming Commission found that there were 81 children left unsupervised at Indiana casinos between July of 2000 and November of 2001. Ms. Peppler asked the Board what type of statistics the Board collects regarding the number of children left unsupervised at Illinois casinos. Ms. Peppler asked that the Board consider its role and responsibility in learning about, and sharing with the public, the impact of gambling on child neglect and abandonment.

Owner Licensee Items

CASINO ROCK ISLAND – PROPOSED SITE MODIFICATION UPDATE - Donna More, Attorney, and Ron Wicks, President of Casino Rock Island, were present on behalf of Casino Rock Island to update the Board on Casino Rock Island's proposed site modification. Ms. More stated that the new site is approximately 3 miles from Rock Island's current site location. Ms. More cited the statutory language that Ms. More believed permitted Casino

Rock Island to relocate. Ms. More stated that when Casino Rock Island submitted the site request in July, some of the Board members had concerns regarding the constitutionality of the Budget Implementation Act that contained the relevant authorizing amendments. Ms. More stated that Casino Rock Island believes that the amendment is constitutional, meaning that no legal barrier exists for Casino Rock Island's relocation.

Ms. More stated that Casino Rock Island is the State's smallest gaming operation. Ms. More stated that Casino Rock Island is "the little boat that could." Ms. More stated that for years Casino Rock Island labored to compete with the Iowa boats and their legislative cruising advantage. Ms. More stated that the success that Casino Rock Island has achieved comes from hard work, excellent customer service and a keen eye for opportunity.

Ms. More stated that the Gambling Act amendment on site modification presents a marketing and revenue opportunity for Casino Rock Island and for the State of Illinois. Ms. More stated that the legislation gives Casino Rock Island a chance to invigorate its product in ways that would attract more customers to the State and produce more revenue for the State. Ms. More stated that the Board has an opportunity to make a positive contribution to an \$80 million dollar economic development project that would produce tourism dollars and much needed employment for Illinois citizens, which Ms. More stated were benefits that align perfect with the intent of the Riverboat Gambling Act. Ms. More stated that the benefits could not be realized until the Board granted conditional approval of the proposed relocation site.

Ms. More stated that Casino Rock Island was not, at the present time, requesting final approval for a casino project. Ms. More stated that Casino Rock Island simply sought approval of the site so that Casino Rock Island could develop a fully-developed project that would be presented to the Board at a later date.

Ms. More listed numerous endeavors that Casino Rock Island could not engage in until the Board grants initial site approval.

Ms. More stated that precedent existed for the Board to grant conditional approval that is conditioned upon the owner licensee meeting Board defined conditions. Ms. More stated that Casino Rock Island's request is not complicated and if Casino Rock Island can not meet the Board's conditions, the Board will not have to undo a \$100 million dollar building program or a complicated acquisition. Ms. More stated that the conditional site approval is risk free. Ms. More stated that taxpayers are not being asked to spend a penny. Ms. More stated that Casino Rock Island takes all of the risks, shoulders all of the costs and knows that if for some reason it does not meet all of the Board's conditions, the Board would not give the go ahead for the project. Ms. More stated that the Board's approval for Casino Rock Island's request is urgently needed. Ms. More stated that in this economy, the citizens of Illinois would welcome a move by the Board that has the potential to produce hundreds of new jobs and millions of dollars in tax revenue. Ms. More requested (1) that the Board grant conditional site approval or (2) that the Board allow Casino Rock Island to purchase the proposed site property in accordance with Board Rule 230(d)(1)(j).

Chairman Jones stated that the Board could not presently give Casino Rock Island a conditional approval; however, he offered some guidance to Casino Rock Island that would be just as helpful as a conditional approval. Chairman Jones stated that the Board's position was that the legislation permitting Casino Rock Island to relocate was constitutional. Chairman Jones stated that a land acquisition that is under \$5 million dollars could be approved by the Administrator without Board approval, but with notice to the Board. Chairman Jones stated that the Board would reserve all rights to approve all aspects of Casino Rock Island's proposal, including the barge proposal and decisions on whether Casino Rock Island is in accordance with various regulatory requirements. Ms. More stated that she would submit the necessary request to Administrator Parenti and the Board.

Member Higginbottom asked what type of affects the relocation would have on the wetlands. Mr. Wicks stated that Casino Rock Island would not be encroaching on any wetlands. Mr. Wicks stated that Casino Rock Island has hired a local engineering firm to conduct environmental impact studies. Mr. Wicks stated that Casino Rock Island has had preliminary discussions with the U.S. Army Corp of Engineers and U.S. Fish and Wildlife Service. Mr. Wicks stated that Casino Rock Island has not received any indications that there are any problems with the proposed site. Mr. Wicks provided the Board with a diagram that showed the distance between the wetlands area and the proposed site.

Member Rogal asked, assuming the Administrator approves the purchase proposal, when would Casino Rock Island begin construction. Mr. Wicks stated that he anticipates reclamation to start in November or December. Mr. Wicks stated that with the Board's approval, Casino Rock Island expects the construction of the facility to start in March. Member Rogal asked how much was going to be spent on the facility. Mr. Wicks stated that approximately \$80 million dollars would be spent.

Member Higginbottom asked if Casino Rock Island has conducted a study to determine if relocation would negatively impact the Rock Island downtown area. Mr. Wicks stated that Casino Rock Island has conducted a study and submitted that information to IGB Staff.

Chief Legal Counsel, Mark Ostrowski, informed Casino Rock Island that Casino Rock Island would need approval before actual casino construction could begin.

EMPRESS CASINO, JOLIET – PROPOSED REVISED BARGE PROJECT – Jeff Pfeiffer, General Manager, and Paul Keller, Vice President of Design and Construction, were present on behalf of Empress Casino, Joliet, to request initial consideration for Empress Casino's proposed barge project. Mr. Keller stated that in May 2002, Empress presented to the Board an \$80 million dollar barge project for initial consideration. Mr. Keller stated that at the June 2002 Regular Board meeting, Empress decided to put the barge project on hold because Empress felt that it would not receive a satisfactory return on its investment based on the new incremental marginal tax rate. Mr. Keller stated that though the barge project was put on hold, Empress had decided not to stand still. Mr. Keller stated that Empress sought a way to improve its property by investing under \$80 million, which was the cost of the project that

was put on hold. Mr. Keller stated that an investment of \$40 million dollars makes more sense and would benefit the State, Empress' shareholders, and Empress' customers. Mr. Keller informed the Board of Empress' new plans for the Joliet property and provided the Board with a slide presentation on the proposed barge project, which included plans to purchase an existing barge from Ameristar Casinos.

Mr. John Greuling, President & CEO of the Joliet Will County Center for Economic Development, was present on behalf of Empress to express his support, as well as the support of the Mayor of Joliet, on the proposed barge project. Mr. Greuling stated that the legislative goals of the Riverboat Gambling Act, as far as economic development, have been realized in Joliet and Will County.

HARRAH'S ENTERTAINMENT, INC. (HARRAH'S, JOLIET & HARRAH'S METROPOLIS) – REQUEST FOR AN ADVISORY OPINION REGARDING UNDUE ECONOMIC CONCENTRATION – BOARD RULE 3000.232 – John Janicik was present on behalf of Harrah's Entertainment, Inc. to request an advisory opinion regarding undue economic concentration. Mr. Janicik stated that Harrah's Entertainment, Inc. is interested in owning another gaming operation in the State of Illinois. Mr. Janicik stated that in reviewing any proposed transactions that would result in Harrah's obtaining an additional license, Harrah's Entertainment, Inc. anticipates that the Board would perform an analysis under its rules to determine whether any such acquisition would result in undue economic concentration in the direct or indirect ownership or control of riverboat gaming operations in Illinois, as pursuant to Board Rule 3000.232. Mr. Janicik stated that Harrah's Entertainment, Inc. would like to confirm with the Board that obtaining an additional license would not be prohibited by the Rules before Harrah's Entertainment, Inc. would commit to undertake such a transaction. Mr. Janicik stated that Board Rule 3000.232 provides for three major points; (1) the analysis done on the impact on competition; (2) the impact on the economic stability of the Illinois riverboat gambling industry; and (3) the impact on meeting the purposes of the Illinois Riverboat Gaming Act. Mr. Janicik stated that significant materials needed in considering the request were provided to the Board prior to the meeting.

Dr. Tom Hubbard, Associate Professor of Economics & Strategy at the University of Chicago Graduate School of Business, was present to provide a brief summary of his findings as it relates to the impact on competition. Dr. Hubbard stated that based on evidence from IGB reports and Harrah's documents, Dr. Hubbard found little evidence that the purchase of an additional license would negatively affect the impact on competition. Dr. Hubbard stated that he believed that the industry is highly competitive and that the industry would remain competitive if Harrah's were to obtain another gaming license in Illinois.

Philip Satre, Chairman and CEO of Harrah's Entertainment, Inc., was present to provide a brief summary on his analysis of the economic stability of the Illinois riverboat gaming industry and the impact on the purposes of the Illinois Riverboat Gambling Act. Mr. Satre stated that Harrah's obtaining another gaming license would not negatively impact the economic stability of the Illinois gaming industry because of Harrah's track record in the gaming industry and because of Harrah's economic stability.

Mr. Satre stated that Harrah's obtaining another gaming license would not negatively impact the purpose of the Riverboat Gambling Act. Mr. Satre stated that the purpose of the Riverboat Gambling Act was to (1) encourage tourism, (2) encourage economic development and (3) improve State and local tax revenues. Mr. Satre stated that (1) Harrah's national brand and marketing system would encourage tourism; (2) that Harrah's financial resources would encourage economic development; and (3) Harrah's activities would improve State and local tax revenues.

Chairman Jones stated that the Board is not willing to enter a formal advisory opinion; however, Chairman Jones stated that he could offer some advice that would be of use to Harrah's Entertainment, Inc. Chairman Jones stated that there is nothing that prohibits Harrah's Entertainment, Inc. from seeking another license in the State of Illinois. Chairman Jones stated that the specifics of the purchase needs to be drawn out; however, there is nothing in legislation that would prevent Harrah's from seeking another license. Chairman Jones stated that the information that Harrah's Entertainment, Inc. has provide to the Board and Staff has been reviewed and has been useful in making that assessment. Chairman Jones stated that Harrah's request is not a commonly encountered phenomenon. Chairman Jones stated that the Illinois legislation initially required ten separate licensees, but that is no longer required.

HARRAH'S METROPOLIS – DENNIS R. RIVARD, ASSISTANT VICE PRESIDENT – LEVEL ONE – John Janicik, Attorney, was present on behalf of Dennis R. Rivard to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Higginbottom moved that **the Board approve Dennis R. Rivard as a Level 1 Occupational Licensee of Southern Illinois Riverboat Casino Cruises, Inc. d/b/a Harrah's Metropolis Casino.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

PAR-A-DICE GAMING CORPORATION – KEITH E. SMITH, DIRECTOR – KEY PERSON – Donna More, Attorney, was present on behalf of Keith E. Smith to request approval as a Key person. Mr. Keith E. Smith was also present on his own behalf.

Based on a review of the staff's investigation and recommendation, Member Clark moved that **the Board approve Keith E. Smith as a Key Person of Par-A Dice Gaming**

Corporation. Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON BELLE CASINO – DONALD MATTHEWS, SECURITY MANAGER – LEVEL ONE - James Butler, Attorney, was present on behalf of Donald Matthews to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Higginbottom moved that **the Board approve Donald Matthews as a Level 1 Occupational Licensee of Alton Gaming Company.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on staff's investigation and recommendation, Member Rogal moved that **the Board approve 206 applications for an Occupational License Level 2 and 451 applications for an Occupational License Level 3.**

Member Rogal further moved that **the Board direct the Administrator to issue Notices of Denial to the following nine applicants for Level 2 and Level 3 licenses, each of whom previously received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut that recommendation:**

1. Retha Mitchell;
2. Nicholas J. Senese;
3. Marian S. Walls;
4. Brandi Menees;
5. Kevin L. Lee;
6. Richard Schmid;
7. Jose Amador;
8. Corine Warner; and
9. Jody Springer.

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints and Disciplinary Actions

IN RE THE DISCIPLINARY ACTION OF HOLLYWOOD CASINO AURORA, INC., CHAD K. ALLEN AND JAMES M. WINGATE – Based on a review of staff's investigation and recommendation, Member Clark moved that **the Board issue a Disciplinary Complaint against Hollywood Casino Aurora, Inc., an Owner Licensee; Chad K. Allen, a Level 2 Occupational Licensee; and James M. Wingate, a Level 2 Occupational Licensee, for failing to comply with the Act and Board Rules in relation to their involvement in a January 16, 2002 unauthorized wagering incident.**

Member Clark further moved that **the Board (1) fine Hollywood Casino Aurora, Inc. \$25,000; (2) revoke Mr. Allen's Occupational License; and (3) suspend Mr. Wingate for five (5) days without pay. Said actions to take affect twenty-one (21) days from the date of service of this complaint unless the licensees file answers within that time period.**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

IN RE THE DISCIPLINARY ACTION OF KIMBERLY JOHNSON – Based on the staff's investigation and recommendation, Member Higginbottom moved that **the Board issue a Disciplinary Complaint against Kimberly Johnson, a Level 2 Occupational License, for failing to comply with the Act and Board Rules in relation to her admission that substantial money was missing from her teller drawer and engaging in activity which discredits or tends to discredit the Illinois gaming industry.**

Member Higginbottom further moved that **the Board revoke Ms. Johnson's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

IN RE THE DISCIPLINARY ACTION OF GLORIA NEWSOME - Based on a review of staff's investigation and recommendation, Member Rogal moved that **the Board issue a Disciplinary Complaint against Gloria Newsome, a Level 3 Occupational Licensee, for failing to comply with the Act and Board Rules in relation to her November 9, 2000 theft conviction.**

Member Rogal further moved that **the Board revoke Ms. Newsome's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

IN RE THE DISCIPLINARY ACTION OF ANTHONY C. BUFORD – Based on a review of staff's investigation and recommendation, Member Higginbottom moved that **the Board issue a Disciplinary Complaint against Anthony C. Buford, a Level 2 Occupational Licensee, for failing to comply with the Act and Board Rules in relation to Mr. Buford's admission that he failed to collect casino patrons' losing wagers.**

Member Higginbottom further moved that **the Board revoke Mr. Buford's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

IN RE THE DISCIPLINARY ACTION OF WILLIAM ROMIOUS – Based on a review of staff's investigation and recommendation, Member Rogal moved that **the Board issue a Disciplinary Complaint against William Romious, a Level 2 Occupational Licensee, for**

failing to comply with the Act and Board Rules in relation to his September 24, 1996 theft conviction and failure to disclose said conviction.

Member Rogal further moved that **the Board revoke Mr. Romious' Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

IN RE THE DISCIPLINARY ACTION OF KATHERINE SILVA - Based on a review of staff's investigation and recommendation, Member Clark moved that **the Board issue a Disciplinary Complaint against Katherine Silva, a Level 3 Occupational Licensee, for failing to comply with the Act and Board Rules in relation to her July 28, 1998 theft conviction.**

Member Clark further moved that **the Board revoke Ms. Silva's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

At 3:15 P.M., Member Higginbottom moved that **Pursuant to Section 2 (c), paragraph (11) and (14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, the Board retire to Closed Session to discuss the following subject matters:**

- 1. Pending litigation and matters involving probable litigation; and**
- 2. Investigations concerning applicants and licensees.**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

At 4:15 P.M. Member Higginbottom made a motion to reconvene into Open Session. Member Barry second the motion. The Board approved the motion unanimously by voice vote.

The Board adjourned at 4:15 P.M.

Respectfully submitted,
Monica Thomas

Secretary to the Board